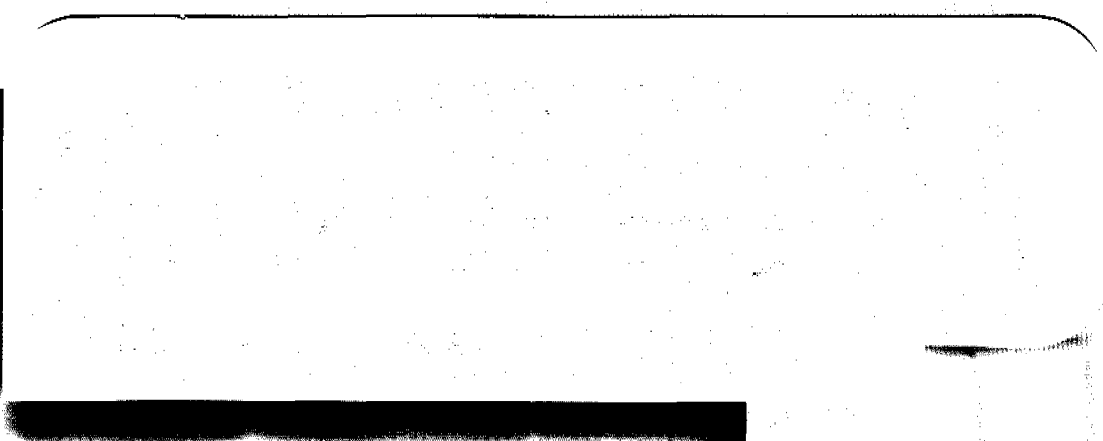
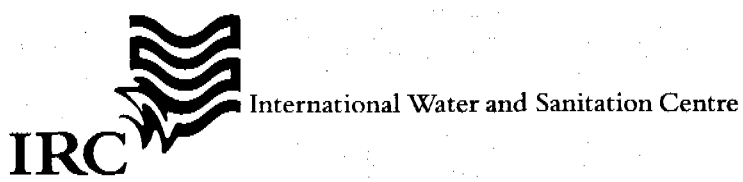


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The Socialist Republic of Vietnam

Haiphong Peoples Committee

The Republic of Finland

**Ministry for Foreign Affairs
Department for International
Development Cooperation**

Haiphong Water Supply and Sanitation Programme, Phase IV

Volume I Programme Phase IV Outline Document

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PO Box 93190, 2509 AD THE HAGUE
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IRC International Water and Sanitation Centre
P.O.Box 2869
2601 CW, Delft
The Netherlands
Tel. +31 (0)15 2192939
Fax +31 (0)15 2190955
E-mail: general@irc.nl
Website: www.irc.nl

Haiphong Water Supply and Sanitation Programme, Phase IV

VOLUME I

Programme Phase IV Outline Document

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Sub-project Financing Support to Households)

(VOLUME IV

Sub-project Construction Management Support)

(VOLUME V

Annexes and abbreviations)

Annexes

- 1. Documents available and consulted**
- 2. Logical Framework format**
- 3. Foreign component details, Proposal**
- 4. Hygiene promotion and sanitation improvements at the household level**
- 5. Technical assistance personnel and their job descriptions**
- 6. Construction management**

Abbreviations and Acronyms

B	- billion
CA	- Construction management adviser
CMA	- Corporate management adviser
CPA	- Community participation adviser
DIDC	- Department for International Development Cooperation (formerly FINNIDA)
DOSTE	- Department of Science, Technology and Environment
DPI	- Department of Planning and Investment
ESA	- External Support Agency
FMA	- Financial management adviser
FIM	- Finnish markka
GIS	- Geographic information system
GOF	- Government of Finland
GOV	- Government of Vietnam
GPS	- Global positioning system
HH	- Household
HP	- Haiphong
HPPC	- Haiphong People's Committee
HPWSSP	- Haiphong water supply and sanitation programme
HRD	- Human resources development
IDA	- International Development Association
JFG	- Japanese Government Fund
JICA	- Japan International Cooperation Agency
M	- Million
MEIP	- Metropolitan Environmental Improvement Program (of WB)
MIS	- Management information system
MOC	- Ministry of Construction of Vietnam
MOSTE	- Ministry of Science, Technology and Environment of Vietnam
MMI	- Ministry of Mines and Industry of Vietnam
MOWR	- Ministry of Water Resources of Vietnam
MPI	- Ministry of Planning and Investments of Vietnam
MSW	- Municipal Solid Waste
NA	- Network Adviser
NGO	- Non-governmental Organisation
NWR	- Non-revenue water / unaccounted for water
O&M	- Operation and Maintenance
PD	- Project document
Phuong	- City ward (size varies; approximately 2,200 households, or about 10,000 people, on average in the 1B Project <i>phuong</i> s)
PMU	- Project Management Unit (of Haiphong SADCO, unless specified otherwise)
PSE	- Public Service Enterprises

RF	- Revolving Fund
SADCO	- Haiphong Sewerage and Drainage Company Company (of Haiphong, unless specified otherwise)
SANDEC	- Department of Sanitation for Developing Countries, Swiss Federal Institute for Environmental Science & Technology
UNDP	- United Nations Development Programme
USD	- United States Dollar
TA	- Technical assistance
To	- Sub-division of a <i>phuong</i> , typically around 20 households
TOR	- Terms of Reference
TUPWS	- Haiphong Transport and Urban Public Works Services
URENCO	- Haiphong Urban Environment Company
VND	- Vietnamese Dong
WB	- the World Bank
WSCO	- Water Supply Company (of Haiphong, unless specified otherwise)
WU	- Womens Union
WWA	- Water works adviser
1B Project	Haiphong component of the World Bank-assisted Three Cities Sanitation Project
Contract A	1B Project contract for cleaning and evaluating the sewerage and drainage system in Haiphong
Contract B	1B Project contract for rehabilitating and extending the sewerage and drainage system in Haiphong

1. Summary

Since late 1990 the governments of Finland and Vietnam have supported the development of water supply and sanitation in Haiphong through the Haiphong Water Supply and Sanitation Programme. The Programme has been divided into Phases; currently Phase III is under way, covering the 4-year period 1997 – 2000.

This document gives an outline for the programme covering years 2000 to 2004. The programme is directed to the three PSEs of the city. Their geographic area of responsibility forms the boundaries of the Programme except for Financing Support to Households and Construction Management Support Sub-project (components), in which the boundaries are governed by the boundaries of the WB/IDA project 1B. *These components are functionally separate entities, which can be contractually regarded as separate projects inside the Programme, if so decided.*

The ultimate beneficiaries of the Programme are the people of Haiphong, whose supply of water and waste water collection and drainage will improve, and their environment will become better due to improvements in solid waste management. The people will also, through their participation in the planning and implementation of these improvements, gain advocacy skills and become more effective in ensuring that sustainable and affordable services are provided to the truly needy.

The immediate beneficiaries of Programme will be SADCO, WSCO and URENCO, which through the Programme will receive support and technical assistance in improving their management practices. Besides improving their current operations, this support will also help them better to plan for future expansion, and to attract and effectively utilise investment funds.

The previous support and development needs in Haiphong states the targets of the programme and puts focus on management particularly on SADCO. There are also clear indications that SADCO has increased its openness and readiness to achieve the support. Also demand for sanitation improvements by consumers, including their willingness to pay has been increasing.

The overall objective of the Programme is:

Good water supply, sewerage and drainage, and sanitation service for the people and customers in Haiphong as well as improved quality of the environment.

The purpose of the Programme is

Improved performance of the water supply, sewerage and drainage, and sanitation organisations towards well functioning and financially self-sustaining public enterprises

This purpose is fully consistent with, and supports, the National policies for urban water supply and urban wastewater collection and sanitation.

The programme has been divided into a sequence of phases so that it may be readily adjusted to reflect variations in the pace and pattern of institutional development, emerging needs, and priority areas in each of the three sub-sectors.

The results expected from Programme are:

- Strengthened management of SADCO, WSCO and URENCO
- Improved financial administration of SADCO, WSCO and URENCO
- Improved financing structure of SADCO, WSCO and URENCO
- Improved operation and maintenance procedures of SADCO, WSCO and URENCO
- Selected households have improved their sanitary facilities with provided financing support
- Construction of WB/IDA funded investment project 1B well managed

There are a number of assumptions and risks. They are presented in chapter 4.

The support will be mainly technical assistance and support to construction management. There will also be a financing mechanism to support selected households to upgrade their sanitary facilities. Long term advisers will be provided in the fields of management, institutional and managerial development as well as in construction supervision. Training will be provided as a part of technical assistance. The details of the physical and non-physical inputs will be defined in the annual Work Plans and agreed on Supervisory Board meeting.

This team will consist of relatively few, mainly long-term advisers, with broad expertise who can move between companies as needs and opportunities arise, and who can develop good personal relationships with their counterparts. Short-term specialist advisers will be required to assist with particular issues.

Given the core team approach described above, and the need to review TA allocations on a regular basis, it would not be appropriate for the Programme to be subdivided into three sub-modules, each allocated to one of the companies. Instead, the programme should be located within TUPWS. This appears to have several advantages

- ◆ TUPWS is the parent organisation for each of the three companies
- ◆ TUPWS can be impartial about the allocation of resources
- ◆ TUPWS is best placed to take appropriate remedial action if any company is unable to make good use of TA because it is deprived of operational funds, cannot create and

fill the necessary staff positions, or is having difficulty in receiving approval for the necessary administrative reforms.

The estimated foreign component costs, covered by the Government of Finland, are summarised as follows:

		FIM in thousands
Technical assistance:	SADCO	14.350
	WSCO	7.000
	URENCO	4.500
	Pooled support**	4.600
Construction management:	SADCO	17.000
Financial Support fund	SADCO	5.650
	Total	53.100

** *“Pooled support” includes training, computers, minor expenditures, and contingency allowances, which will be allocated as needed.*

The local component costs are estimated to VND 27.9 Billion (equals to USD 2 million). It consists the costs of the local staff, office accommodation, housing of expatriates and the costs of investments.

2. Background

2.1 Sector policy

The developments in political, social and economic life which started already during the latter half of the 1980's have continued steadily. The "Doi Moi", renovation has marked a new period in the development of the country. The transfer from a socialist centrally led economy to a market oriented one is continuing. The decision making inside the "public-private-enterprises" is still under the control of People's Committee and TUPWS.

Regarding water supply and sanitation the present policy is based on the "National Urban Water Supply Strategy". It stipulates that the long-term objective is to establish provincial water supply companies as autonomous, self-sufficient undertakings. The same principle applies also to the sewerage and solid waste management. It is based on the "National Urban Waste Water Collection and Sanitation Strategy". It includes also the principle: "polluter pays" which means gradual cost recovery.

2.2 Present situation in Haiphong.

2.2.1 Water Supply

Public water supply service in Haiphong is provided by the Haiphong Water Supply Company (WSCO). In 1998 the water consumption of the urban area was on average 53,000 m³/d. Meeting that demand called for a daily production of 117,000 m³. Non-revenue water in those phuongs where the distribution system was improved in the early years of the programme shows an improving trend, even though it still is in the range of 25%. The average in the whole Haiphong is 40 %. In Kien An, where the old network still exists, almost 80 % of the water produced is lost. These figures make it clear that wastage of water is a critical issue and that WSCO should emphasise the reduction of both physical and administrative losses.

2.2.2 Sewerage

The city of Haiphong is served by a combined sewer/storm water drainage system. The sewerage service area covers approximately the same areas as the water supply network. There is no treatment of the sewage or the sullage. In principle the households are expected to have a septic tank, but in practice there is a large number of households without septic tanks, and the emptying of the existing septic tanks is inadequate

The sewerage services of Haiphong are managed and operated by the Haiphong Sewerage and Drainage Company (SADCO). It has been established in 1994-5 through separation of the responsibilities, and the organisational components from the Haiphong Urban Environment Company (URENCO). The sanitation facilities in the city area are

inadequate, ill managed/maintained. The capacity of SADCO to successfully manage the network is still very limited. The budgetary resources allocated for its operation are too small, and it has virtually no experience of undertaking investment projects. Since it is about to become the recipient of considerable investment funding through the World Bank-funded 1B Project, this is a matter of concern.

2.2.3. Solid waste and night soil management

The organisation responsible for the solid waste management is URENCO. The capacity of URENCO to discharge its duties is still limited, due to limited non-material and material resources.

A separate task for URENCO is the collection, transportation and treatment of night soil. Currently URENCO is in the process of replacing bucket latrines with toilets and septic tanks connected to the sewer network. This programme is being supported by HPWSSP, Phase III.

2.2.4. Haiphong Water Supply and Sanitation Programme

Since late 1990 the governments of Finland and Vietnam have supported the development of water supply and sanitation in Haiphong through the Haiphong Water Supply and Sanitation Programme. The Programme has been divided into Phases; currently Phase III is under way, covering the 4-year period 1997 – 2000.

Phase III, currently under way, is focusing on management support and technical assistance to all three companies. The main recipient of the assistance is WSCO. Support to prepare for and implement 1A project was agreed to be a component of Phase III by all three parties concerned (WSCO, the World Bank and Finland). The strategy of Phase III of the programme is to improve the operational efficiency and capabilities of the three organisations in order to help them discharge their responsibilities.

This document outlines the Programme for years 2000 to 2004. The project is directed to support the three PSEs of the city. Their geographic area of responsibility forms the boundaries of the Programme, except for components described below in paragraphs 3.4.6. and 3.4.8., where the boundaries are governed by the boundaries of the WB/IDA project 1B. These two components are sub-projects of the Programme, which can be contracted separately. Construction Management component will commence, depending on the starting of the construction works of the WB/IDA 1B project. The management support to the three PSE's will commence after Phase III of HPWSSP. The workplan of HPWSSP for year 2000 is modified to meet the WB requirements.

The previous support and development needs in Haiphong states the targets of the programme and puts focus on management particularly on SADCO. There are also clear indications that SADCO has increased its openness and readiness to achieve the support. Also demand for sanitation improvements by consumers, including their willingness to pay has been increasing.

2.3. Beneficiaries and parties involved

2.3.1 Beneficiaries

The ultimate beneficiaries of the Programme are the people of Haiphong, whose supply of water and waste water collection and drainage will improve, and their environment will become better due to improvements in solid waste management. The people will also, through their participation in the planning and implementation of these improvements, gain advocacy skills and become more effective in ensuring that sustainable and affordable services are provided to the truly needy.

The immediate beneficiaries of Programme will be SADCO, WSCO and URENCO, which through the Programme will receive support and technical assistance in improving their management practices. Besides improving their current operations, this support will also help them better to plan for future expansion, and to attract and effectively utilise investment funds.

Beneficiaries will also be a number of municipal organisations that provide services needed by the Programme.

Finally, the private sector companies and entrepreneurs will benefit through increased emphasis on outsourcing of the provision of goods and services, in particular SADCO's use of the private sector for septic tank construction, sewer maintenance, and septic tank emptying.

2.3.2 Parties involved

The HPWSSP has during its three first phases been focusing on the WSCO. The focus of the Programme will be shifted to SADCO because of its incoming large investment project, which requires capacity that has not been possible for SADCO to develop because of the inadequate funding base for investments and sufficient O&M. Continued support to WSCO is needed in order to safeguard the sustainability of achievements hereto, and to meet the needs of the started IA investment project. Support to URENCO is needed, as a functioning solid waste management is essential in achieving the improvements in drainage.

As public service enterprises the three companies need to have maximum independence. As utilities they, however, will be controlled by HPPC and TUPWS assisted by other public institutions. These include:

- (a) The Construction Service,
- (b) The Investment and Development Service,
- (c) The Science, Technology & Environment Service,
- (d) The Foreign Economic Relation Service,
- (e) The Haiphong Hygiene & Epidemiology Institute,
- (f) The Haiphong Labour & Social Affairs Service,

In addition, WSCO, SADCO and URENCO rely on the City Finance Office / Financial service, which receives and disburses all funds and revenues, related to the city's operations. Information on the companies' activities is routinely supplied to the Statistical Service.

A number of other central government organisations have considerable authority over water supply developments. The three most important from the perspective of the Programme are:

- (a) The Ministry of Planning and Investments (MPI),
- (b) The Ministry of Construction (MOC),
- (c) The Ministry of Science, Technology and Environment (MOSTE)

2.4. Problems to be addressed

Problems

A number of improvements, physical and non-physical, have taken place during the implementation of the Programme. The work, however, is not nearly done, and probably will never be a task-completed-and-never-in-need-of attention. Over time the degree of external support will decrease, and before that the relative importance of individual problems to be addressed will vary. The present-day problems to be addressed may be presented as follows:

- (a) SADCO and URENCO lack the experience needed to manage large-scale operations and investments
- (b) Customer service is inadequate.
- (c) Co-operation between the three companies is inadequate.
- (d) Surface water and canals in the city are polluted.
- (e) Flooding of living areas cause health hazards.
- (f) Unclean environment in the city.
- (g) The people are not aware of the importance of proper environmental sanitation.
- (h) Many households cannot afford the full cost of septic tank construction and connection to the sewer network
- (i) Inadequate amounts of water, with too low pressures, reach customers in non-improved areas.
- (j) Water quality is not satisfactory.

The reasons for the above shortcomings are economical, institutional, managerial and technical. Since the World Bank has started to support physical improvement of the water supply system through the 1A Project, and intends to start to support physical improvement of the sewerage system through the 1B Project, the Programme will focus on institutional and managerial aspects. Since WSCO has been the focal point of the support during HPWSSP, and SADCO has not yet received sufficient support to operate effectively, the emphasis now has to be shifted to supporting SADCO. However, it is

vital to continue the support to URENCO and WSCO, since without this it will not be possible to achieve the desired results.

Underlying reasons

Underlying these problems are a number of factors which together create an environment where there is little incentive to improve organisational performance, and where it is too easy for staff to lose motivation because the resources available are too small, the scope for innovation is limited, and the rewards for extraordinary effort are minimal. These factors are inter-linked; they need to be addressed simultaneously if the situation is to improve. Some of them, for example, inadequate investment funding, will be largely resolved by the 1A and 1B Projects, but there is a risk that unless the others are also solved the investments will not be properly operated and maintained and will be of limited long-term value. Some of the problems, for example inadequate tariffs and O&M funds, can only be resolved through action by HPPC. The Programme will work with the companies to identify the underlying causes of their problems, develop solutions, and identify the actors who need to be involved in order to put the solutions into effect.

2.5. Other interventions

Although the Government of Finland has been the main long-term supporter of the development efforts of the three Public Service Enterprises (PSEs), and of general capacity-building of the water supply and sanitation sector in Haiphong, other donors have been and are active.

The **World Bank** and the government of Vietnam have agreed on an IDA credit to improve water supply services through an investment to rehabilitate and expand water supply services in four urban centres, including Haiphong (the “1A Project”). Another IDA credit is about to become effective: “The three cities sanitation project”, which includes Haiphong (the “1B Project”). The Haiphong Water Supply and Sanitation Programme, supported by the Government of Finland has provided technical assistance, at the request of the Government of Vietnam, to the development of both of these WB/IDA projects.

The **Japan International Co-operation Agency (JICA)** is currently negotiating a project to prepare a Sewerage, Drainage and Solid Waste Management Master Plan for Haiphong until the year 2020.

The **World Bank** is currently working on a Metropolitan Environmental Improvement Program (MEIP) proposal for Haiphong, and will shortly establish a local office. This project will:

1. Assist the Haiphong Peoples Committee and DOSTE to gather data for an environmental status report that will form the basis of an environmental strategy;
2. Subsequently, the key identified environmental issues will guide MEIP environmental action plans for strategic urban environment management through short-term, cross-sectoral plans;

3. These action plans will clarify the critical issues, involve key stakeholders, outline institutional development needs and build political commitment;
4. With this framework in place, MEIP will implement pilot environmental activities.

UNDP has started a local government improvement project, which will improve the urban management of Haiphong. It will concentrate on streamlining administrative procedures and support co-operation between the various urban management sectors of Haiphong. The implementation of this project has started in October 1999.

3. Overall objectives

3.1. Overall objective

The overall objective of the Programme is:

Good water supply, sewerage and drainage, and sanitation service for the people and customers in Haiphong and an improved quality of the environment.

The objective is in line with the development objectives stated in the “Socio-Economic Stabilisation and Development Strategy to the year 2000” adopted by the Seventh National Congress of the Communist Party in June 1991. It also supports the development objective of the “Urban Waste Water Collection and Sanitation Policy” which aims at “...provision of sewerage and drainage with good service level in an economically and environmentally sustainable way”.

3.2. Programme purpose

The purpose of the Programme is

Improved performance of the water supply, sewerage and drainage, and sanitation organisations towards well functioning and financially self-sustaining public enterprises

This purpose is fully consistent with, and supports, the National policies for urban water supply and urban wastewater collection and sanitation.

3.3. Programme strategy

The general strategy for achieving the above Programme purpose is to improve the operational efficiency and the management capabilities of the companies responsible for the service delivery. This will be done through improvement of the management systems and procedures, advisory support to the management, and through training. The implementation arrangements and the project organisation support this general strategy.

The emphasis of the intervention will be on the sanitation, in particular on wastewater collection and drainage. The approach and strategy will both support and get support from the parallel World Bank/IDA financed 1B Project. 1B Project will improve and rehabilitate the wastewater infrastructure, thus enabling SADCO to extend its services and to improve the service level. Technical assistance to SADCO, which is a component of the 1B Project, is included in the Programme and forms an integral part of it. The Programme will also include other components which are essential to ensure the smooth

implementation and desired impact of the 1B Project: consultancy for construction management; general capacity-building assistance to SADCO; and provision of a financial mechanism to enable households to upgrade their sanitary facilities.

Technical assistance to WSCO will continue, however, at a smaller scale than before. Focus will be on strengthening the company's management capacity and financial position: developing a corporate strategy and business plan, improving accounting and revenue collection, reducing unaccounted-for water, and capacity-building. Less emphasis will be placed on technical matters as WSCO has already considerable experience in the physical aspects of system rehabilitation and upgrading, and construction management due to 1A Project. A greater attention will be given to use of Vietnamese consultants and on outsourcing.

Support to the Haiphong Urban Environment Company consists of improvement required in the process to become a self sustaining public service enterprise (PSE). The assistance will be given by expatriate advisors sharing their time with the other companies.

The support will be provided in five forms:

- Studies, which will study the issues and propose systems and procedures for implementation;
- Technical assistance which will provide long term support to the management and will assist in the implementation of the proposed systems and the expected externally funded large scale investment programme;
- Training to respond to the identified priority training needs;
- Equipment and materials; and
- Financing to support the selected households to upgrade their sanitary facilities.
-

3.4. Results

The expected verifiable results of the Programme are outlined below.

3.4.1 Strengthened management of SADCO

The key result of this is that the top management of the SADCO has the human and physical resources necessary for efficient and successful management of the company. This includes the management of the very large investment programme, the 1B Project, expected to start shortly.

3.4.2 Strengthened management of the Haiphong WSCO

The key result of this is that the top management of the WSCO has the human and physical resources necessary for efficient and successful management of the company.

3.4.3. *Strengthened management of the Haiphong URENCO*

The key result of this is that the top management of the URENCO has the human and physical resources necessary for efficient and successful management of the company, planning of operations (including possible use of outsourcing, or equivalent use of the private sector), and improved monitoring of activities.

3.4.4 *Improved financial administration of SADCO, WSCO and URENCO*

The key results of this is that the accounting systems of the 3 PSEs are accurate, transparent and properly audited, the billing and collection systems for water supply, wastewater and solid waste services have improved.

3.4.5. *Improved financing structure of the three companies*

The key result of this is that the proportion of revenues from fees and charges in the total annual financing of the three PSEs has significantly increased during the Programme, reflecting increased self-sufficiency and progress towards financial viability without need for transfers from HPPC

3.4.6 *Financing support available for households to make sanitary improvements*

The key result of this is that a financing mechanism has been created and taken into use which enables the poorest segments of the communities in the project area to improve their sanitation facilities at the same time that the sewer and drainage systems in their phuongs are being rehabilitated under the WB/IDA 1B Project,

3.4.7 *Operation and maintenance procedures of SADCO, WSCO and URENCO*

The key result of this is that the O&M systems of the 3 PSE companies have been improved.

3.4.8. *Construction management of WB/IDA funded investment project 1B*

The key result of this activity is that the construction management undertaken by the consultant (the Engineer of the 1B Project, funded through the Programme SADC support package), on behalf of SADC (the Client), ensures that the contracts funded through this Project (1B) are implemented on time and in accordance with the requirements of the contract documents.

4. Assumptions and risks

4.1. Assumptions

The project design is based on the assumption that following issues not directly under control of the programme are implemented and resources secured by responsible stakeholders:

- (i) The authorities responsible for policy matters will take prompt actions to approve and further enforce policy changes and regulations affecting issues beyond the mandate of the three PSEs, such as protection of water sources, consumer policies including water tariffs and sewerage charges, enforcement of environmental regulations, and personnel policies, to provide an enabling environment for Programme implementation.
- (ii) The relevant three Public Service Enterprises are committed to the adoption and prompt implementation of management principles and mechanisms developed by the Programme, including delegation of powers and duties to appropriate levels.
- (iii) The WB/IDA-financed Haiphong Sewerage and Drainage project (1B) is started, and it and the Haiphong Water Supply Project (1A) are implemented as planned, and the changes becoming necessary in them during the implementation are implemented in an organised and appropriate manner
- (iv) Necessary decisions during 1B implementation will not be delayed in order to avoid cost and time overruns.
- (v) The present Phase III is adapted to support a smooth transition to the Programme.
- (vi) Necessary agreements between the consultant and the Government of Finland can be approved and signed in time to enable the seamless commencement of activities on time.
- (vii) Both parties – the Finnish and the Vietnamese side – fulfil their obligations regarding the required inputs, including the nomination of Vietnamese staff to the three PSEs to conduct the necessary tasks (a vital condition for providing technical assistance on a particular topic should be that a counterpart has been appointed to have operational or managerial line responsibility for that subject).
- (viii) The Programme personnel – local and their advisers – have access to higher authorities in matters related to the Programme implementation.
- (ix) The office and other facilities and equipment, including transportation, procured and used by the previous Phases of the Programme will continue to be available to be used for the implementation of the Programme.

4.2. Risks

Proper planning and commitment should avoid the following risks:

- (a) The funding of the Programme, particularly the local funding will not be sufficient and/or on time. This will slow down the implementation and cause also a risk to the implementation of the WB/IDA-projects 1A and 1B, and also delay the disbursement of the foreign component.
- (b) Necessary funding is not made available to support the normal capital programme and the O&M budget of the PSEs, leading to neglect of activities other than 1A and 1B, and in particular affecting SADC maintenance of the sewers where 1B is not active and parts of its system which will not have been rehabilitated.
- (c) The financing support mechanism for household sanitation improvement can prove to be beyond the bearing capacity of the poorest segment of the population, or there is lack of commitment amongst a part of the population.
- (d) Cross pollution from industrial wastes inhibit improvement of the environment

5. Implementation

5.1 Physical and non physical means

The support will be mainly technical assistance with support to construction management and a financing mechanism to support households to upgrade their sanitary facilities. Long term advisers will be provided in the fields of management, institutional, managerial development and construction supervision. Training will be provided as a part of technical assistance.

The details of the physical and non-physical inputs will be defined in the sub-project documents and annual Work Plans.

5.1.1. Non-physical inputs

The principle adopted is to create a core team of experts, which can be drawn upon to serve the evolving needs of all three companies. This team will consist of relatively few, mainly long-term advisers, with broad expertise. Short-term specialist advisers to assist with particular issues will be specified in the sub-project documents and agreed during the programme.

The core team will consist of the following advisers and their counterparts:

Team Leader/Corporate Mgmt. Adviser (full period)
Financial Management Advisers (almost full period)
Community Participation Advisers (part of the period)
Planning Advisor (part of the period)
Utility Management Specialist (part of the period)
HRD Adviser (part of the period)
Sanitary Engineers (part of the period)

Computers and software

For the companies to benefit fully from the TA, they will need to have equipment which is capable of operating the software generally in use in the sector, and of manipulating the increasingly large data files associated with it.

Allocations of 140,000 FIM per company for upgrading of computers and software have been made.

Training, exchange visits and "internal twinning"

A total contribution of 600 000 FIM for each company has been budgeted. All local costs of training, which may be approximately the same as the foreign costs, should be met from the Vietnamese contribution.

Minor expenditures:

Funds of 150 000 FIM per company for procuring minor items of equipment, repairing specialised test equipment, or carrying out emergency repairs or modifications needed to allow studies and investigations to proceed on schedule has been budgeted. These discretionary funds should not be used as replacements for normal funding made available through the routine planning and budgeting process.

5.1.2. Physical inputs

The foreign component does not include physical inputs, as the major investment projects 1A and 1B, funded by WB/IDA will provide the planned physical inputs for the period. However, there is a small reserve for emerging immediate equipment and material needs. Their quality and quantity is determined during the Programme.

5.2. Organisation and implementation procedures

5.2.1 Organisational arrangement

Location of the Programme

Given the core team approach described above, and the need to review TA allocations on a regular basis, it would not be appropriate to subdivide HPWSSP into three sub-modules; each allocated to one of the companies. Instead, the Programme will be located within TUPWS. This appears to have several advantages

- ◆ TUPWS is the parent organisation for each of the three companies
- ◆ TUPWS can be impartial about the allocation of resources
- ◆ TUPWS is best placed to take appropriate remedial action if any company is unable to make good use of TA because it is deprived of operational funds, cannot create and fill the necessary staff positions, or is having difficulty in receiving approval for the necessary administrative reforms.

In addition, while no specific TA has been allocated for support to TUPWS itself, the regular working contacts with the HPWSSP Team Leader, other HPWSSP staff, visiting missions, etc., should improve TUPWS' ability to plan and manage, essential skills in view of the number of city services for which it is responsible.

It appears to be merit in retaining the present support staff, who has gained considerable experience in coping with the problems inherent in dealing with a foreign staff with considerable logistical requirements and no local language capabilities. Since these staff at present belong to WSCO, they could be counted against WSCO's contribution to the Programme costs.

5.2.2. Implementation practices

Readiness of companies to receive TA

Institutional development cannot occur in the absence of national officers, to whom knowledge and skills can be transferred. Therefore each of the companies needs to make

a serious effort to recruit staff to currently vacant positions, and their success should be used as a factor in developing the annual work-plans for TA.

In allocating TA resources, account should also be taken of the extent to which each company has developed or is committed to an inter-disciplinary approach to its operations.

In general, the allocation of TA proposed in this document should only be taken as a general overall guide; decisions on the optimal use of resources during the Programme should be made in the course of each year's work-plan development.

Twining

At this stage, the proposals do not contain any provision for formal twinning arrangements (which the WB has suggested as the preferred mechanism for TA provision). Twining as an additional source of support is welcome, but introduces problems of co-ordination, as well as additional costs. The concept of twinning would be good, if a suitable partner town could be found that met the needs of all 3 companies, could be flexible in providing key staff, and was not unduly expensive.

“Vietnamisation”

The proportion of the total TA provided by foreign experts should gradually decrease, with correspondingly greater reliance placed on experts from Vietnam or from other countries in the region. This is a natural consequence of the increasing capacity of the consulting industry in Vietnam (especially in certain sectors, such as accounting and computer systems), the desirability of using experts with an intimate familiarity with the problems which the companies confront, and the much lower cost of using local personnel.

In case during the further planning of the Programme it becomes apparent that there is more capable Vietnamese expertise available for the TA tasks of the Programme than it has been assumed in this Outline Programme Document, this must be reflected in the manning and budget of the Technical Assistance.

5.2.3. Construction management

This component will be contracted separately from the other components of the Programme.

It has proved to be impossible, in the course of the 1B Project design, to obtain an accurate picture of the condition and potential capacity of the sewerage and drainage network. To respond to this situation, civil works implementation has been split between 3 contracts (in addition there will be one contract for procurement of vehicles and equipment):

- ◆ Contract A, implemented between July 2001 and April 2002, covers mainly the cleaning and inspection of the existing main sewers and phuong sewers, together with construction of various facilities at the Trang Cat landfill, in particular provision for handling the dredged sludge and septage. The estimated base cost is US\$3.0 million.

- ◆ Contract B, implemented between November 2002 and May 2004, covers rehabilitation or construction of some major combined sewers, construction of some collector sewers and pumping stations, and rehabilitation of phuong sewers. The estimated base cost is US\$10.0 million.
- ◆ Contract C, implemented from July 2001 to January 2004, mainly covers the rehabilitation of the main drainage channels, the lakes in the city, and the tidal gates. The estimated base cost is US\$8.5 million.

Assistance to SADCO in construction management of these three contracts has been agreed.

The base cost of this component is estimated as US\$ 3.0 million.

5.2.4 Hygiene promotion and household sanitation

Improvement of household sanitation

Sewage collection and treatment

From the technical and public health point of view sanitary improvements at the household level makes most sense if tertiary and larger sewers function properly and coverage is 100%. The reverse is also valid: once tertiary and other sewers have been cleaned and rehabilitated, discharge by not properly functioning household facilities will reduce the impact of these efforts. For a maximum impact on public health 100% coverage with proper and properly used sanitary facilities is to be achieved. Equally important is the fact that people indicated to be willing to upgrade their sanitary situation, provided that the drainage system at the neighbourhood and Phuong level is also improved.

Financial mechanism to improve household sanitation

Whereas through the 1B project the system of primary, secondary and the tertiary drains is upgraded, the installation or improvement of household facilities is considered to be the responsibility of the inhabitants, not only in terms of "getting it organised", but also in terms of financing. Given the high cost of these facilities and their connection to a tertiary drain and given the low income of many households, a support fund has been agreed upon. The funding mechanism will be specified in the sub-project document. The basic concept of the funding is, however, a loan with low interest rate. The management of the fund will probably be contracted separately.

The need for synchronisation of household level and sewer system upgrading

As indicated above 100% coverage with sanitary facilities is to be achieved, both for maximum impact on public health and for effective use of investments put into cleaning and upgrading the sewer system. Efficient use of heavy equipment (for example for removing old sludge) and the need for keeping the sewer system clean once it has been upgraded call for synchronisation of household level and sewer system upgrading. This requires a high level of co-ordination and collaboration between the households and SADCO.

Removal of solid waste

In addition to improving sanitary conditions, the management of solid waste needs improvement. At Phuong level solid waste collection as organised by URENCO does not seem to be the major problem. However, people discharging solid waste into drains at inappropriate times, kitchen wastes being discharged into the sewer system and uncontrolled discharge of construction materials are problems to be solved.

5.3. Timetable

The tentative timetable for the programme is June 2000 - December 2004. The construction management sub-project will start first. The TA-sub-project will start in January 2001.

5.4. Cost estimate and financing plan

The total costs of the Programme are estimated to be FIM 64.4 million, equivalent to approximately VND 159.5 billion (USD 1 = FIM 5.65 = VND 14,000). Out of this, the foreign component costs, to be covered by the Government of Finland, are estimated to total FIM 53.1 million, and the local component costs VND 27.9 billion.

The estimated foreign component costs, covered by the Government of Finland, are summarised as follows:

		FIM in thousands
Technical assistance:	SADCO	14,350
	WSCO	7,000
	URENCO	4,500
	Pooled support**	4,600
Construction management:	SADCO	17,000
Support fund	SADCO	5,650
Total		53,100

** *“Pooled support” includes training, computers, minor expenditures, and contingency allowances, which will be allocated as needed.*

The local component, estimated to VND 27.9 billion, consists of the costs of the local staff, office accommodation, housing of expatriates (but not their electricity, water and communication charges) and the costs of investments.

Out of the above total Finnish and Vietnamese contributions, FIM 26.5 million and VND 13 billion respectively, shall be agreed between the Governments in January 2000.

Additional contributions to cover the rest of the costs are intended to be made by both parties at a later date.

In order to support the "Three Cities Sanitation Project" of the Government of Vietnam and the World Bank with parallel bilateral financing, the Finnish contribution of FIM 26.5 million, to be agreed upon between the Governments of Finland and Vietnam in January 2000, shall be allocated to SADCO components of the Programme. The implementation of the Construction Management Support (CMS) will start already in mid-2000. In order to facilitate the prompt implementation of the CMS, funds for the whole estimated external financing of the CMS, FIM 17 million, are reserved from the above mentioned allocation. The rest of the allocation is divided between SADCO technical assistance and support fund for sanitary improvements. Accordingly, the initial Finnish contribution of FIM 26.5 million is tentatively divided as follows:

		FIM in thousands
Construction management:	SADCO	17,000
Technical Assistance:	SADCO	4,750
Support fund	SADCO	4,750
Total		26,500

The initial Vietnamese counterpart contribution of VND 13 billion is tentatively divided as follows:

	VND in billions
SADCO	10.00
Programme Management and Contingency	3.00
Total	13.00

6. Factors ensuring sustainability

The programme is aiming at sustainable results. The main factors ensuring sustainability is listed below. These factors and implications are specified in the sub-project documents and annual workplans.

- Policy support measures
- Appropriate technology
- Environmental protection
- Socio-cultural aspects from gender perspective
- Institutional and management capacity
- Economic and financial analysis
- Ownership

7. Monitoring and evaluation

7.1. Monitoring indicators

The monitoring indicators, which should comply with the OVIs, shall be defined in the Project Document and Annual Work Plans. The reports, e.g. Annual reports, Mid-Term Review, Project Completion Report, which will be the sources of verification, are assumed to be based on actual operational and financial data and records of the three companies (PSEs) This implies that the data must be readily available (transparency) when these reports are prepared.

7.2. Reviews and evaluations

The monitoring of the HPWSSP, Phase IV shall be based on monthly reports (HPWSSP internal, each adviser reports to her/his superior, the team leader), quarterly progress and financial reports. Quarterly reports shall be reviewed in the Steering Committee meetings.

Annual reports shall be prepared within two months after the end of each year, and presented to the Government of Finland, the Government of Vietnam and the World Bank. The World Bank shall define the manner in which it requires reporting on the components directly linked with the projects 1A and 1B

In addition, the MPI, HPPC and Ministry for Foreign Affairs of Finland may carry out their own reviews and evaluations from time to time as they deem necessary. The World Bank shall also be entitled to review and evaluate the implementation and results of the components, which are directly, linked with their own projects 1A and 1B.

It is envisaged that the performance of the Programme will be externally reviewed and evaluated twice during the implementation period – the first time in the middle of 2002 (mid-term review), and the second time towards the end of the phase (mid 2004).

A project completion report shall be prepared within three months after the end of the Programme.